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ANNUAL REPORT

FISCAL 1981

DIVISION OF WORKERS' COMPENSATION

BEST AVAILABLE COPY

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PREFACE

The Division of Workers' Compensation serves the Montana employers and employees through the administration of the Workers' Compensation Act, the Crime Victims Compensation Act, the Uninsured Employers Fund, and various safety laws.

Many changes have taken place since the original enactment of the laws under which the Division operates. In 1915, the weekly benefit amount for temporary total disability was 50% of the injured worker's wages, subject to a maximum of $10 per week. Medical benefits were limited to a two week period, and could not exceed a total of $50. Today, weekly payments for temporary total disability amount to 66-2/3% of the injured worker's wages, subject to a maximum of $219 per week for the current fiscal year, and $241 per week for the coming fiscal year, with no limitation as to the time or dollar amount for medical costs.

With few exceptions, the Workers' Compensation Act applies to all employers and to all employees. The Workers' Compensation Law affects nearly every business operation and worker and is an integral part of our industrial and economic system.

This sixty-seventh annual publication has been drafted to provide to you a comprehensive report of the Division's activities for the fiscal year ended June 30, 1981. We hope that the information contained herein is helpful and will explain questions that you may have concerning the Division's functions and operations. For further information concerning this report, please direct your inquiries to the Division of Workers' Compensation, 815 Front Street, Helena, Montana 59604.

LAURY M. LEWIS
Division Administrator

SECTION I
DIVISION ADMINISTRATION

The Division was created to administer several laws relating to the industrial operations in this state. These include the administration of industrial safety and health laws, as well as the payment of benefits to workers injured in the course and scope of employment. The laws set forth below are currently under the administrative jurisdiction of the Division, with reference made to the title and chapter numbers in the Montana Code Annotated:

Industrial Safety and Health

1. Occupational Safety Act, Title 50, Chapter 71
2. Safety in Mines Other Than Coal Mines, Title 50, Chapter 72
3. Safety in Coal Mines, Title 50, Chapter 73
4. Boilers and Steam Engines, Title 50, Chapter 74
5. Hoisting Engines, Title 50, Chapter 76

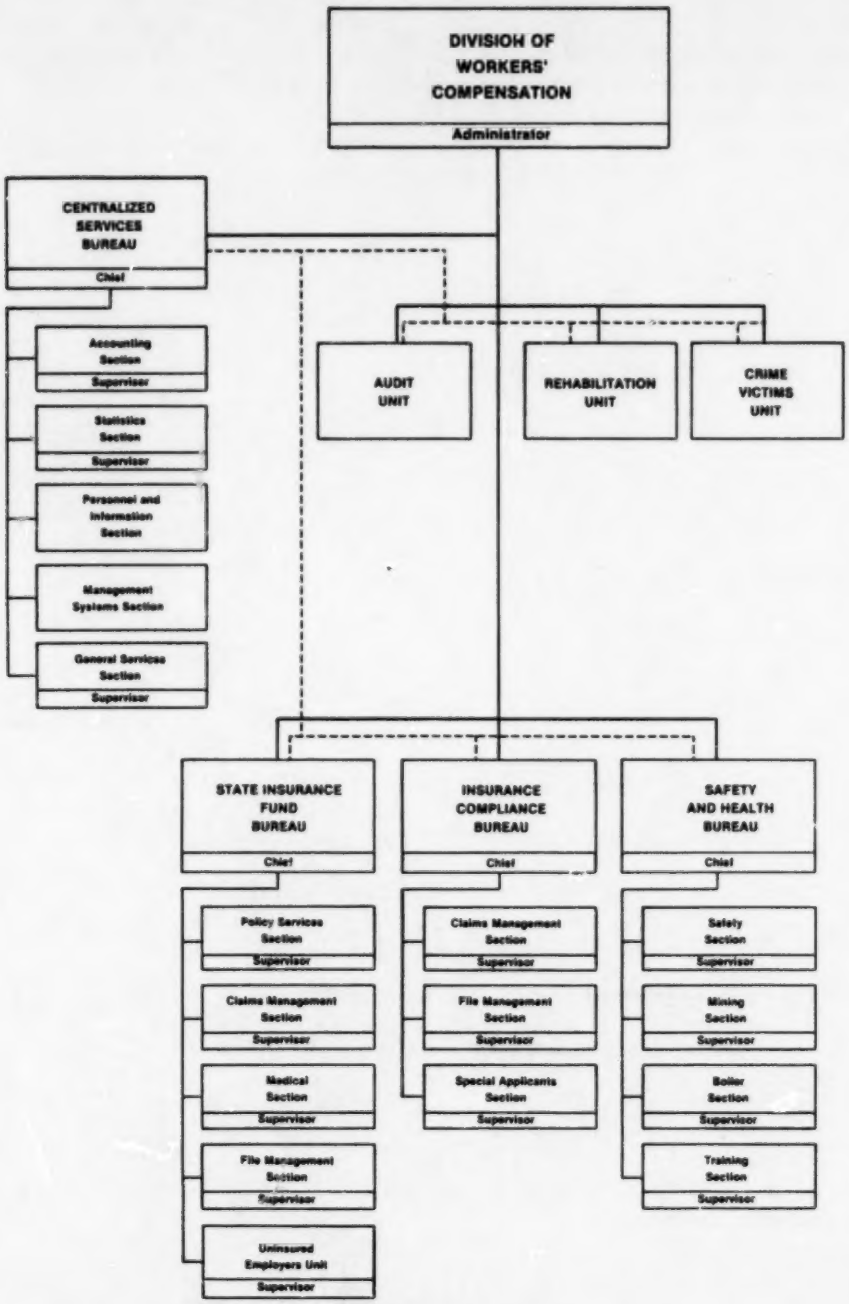
Compensation Systems

1. Volunteer Firefighters' Compensation Act, Title 19, Chapter 12
2. Silicosis Benefits Law, Title 39, Chapter 73
3. Crime Victims' Compensation Act, Title 53, Chapter 9
4. Workers' Compensation Act, Title 39, Chapter 71
5. Occupational Disease Act, Title 39, Chapter 72
6. Referral of Disabled Workers for Vocational Rehabilitation, Title 39, Chapter 71

With the assistance of immediate supervisory personnel, the Division Administrator provides overall management to the Division.

The agency is divided into four major bureaus which provide the following services: Centralized Services gives needed overall support services to all bureaus and units; the State Compensation Insurance Fund operates a state administered insurance system which allows employers an option for obtaining workers' compensation insurance in Montana; Insurance Compliance reviews the payment of workers' compensation benefits by self-insured employers and private insurance carriers; and Safety and Health administers the occupational safety and health laws

ORGANIZATION CHART



PRINCIPAL OPERATIONAL PERSONNEL

Laury M. Lewis, Administrator
William R. Palmer, Assistant Administrator
Margaret Condon, Executive Secretary
Carla J. Smith, Chief, Centralized Services Bureau
A. G. Pillen, Chief, State Insurance Fund Bureau
J. E. Jacobson, Chief, Insurance Compliance Bureau
Ed Gatzemeier, Chief, Safety and Health Bureau

MAJOR ACTIVITIES DURING FISCAL YEAR 1980-1981

Administrative Program

The Division presented requests to the 47th Legislature for additional funding in several major areas. Authority was granted for the following:

1. An increase in staff positions will allow the Division to effectively administer its audit responsibilities and better serve both the claimants and employers in the State of Montana.
2. A major enhancement to the Division's Management Information System, aimed at improvement in claims services and policy-holder services, will expedite payment of benefits and provide for efficient information processing.
3. Construction of a Workers' Compensation Building on Helena's downtown mall will accommodate all Division employees in one location. Bonds to finance the project have been sold, an architect selected, and plans are progressing.

It is anticipated that the enhancements to the Management Information System and construction of the building will be completed at approximately the same time, the summer of 1984.

Program personnel participated in small business clinics and met with approximately 1,400 Montana employers in 10 cities. The Annual Claims Seminar was conducted for representatives of the insurance industry, attorneys, physicians, and other interested parties. Additionally, over 800 Montana employers were contacted to explain the OSHA recordkeeping requirements.

Our Rehabilitation Unit served 484 injured workers, and personnel of the Audit Unit reviewed 932 employer accounts.

State Insurance Fund Program

In an effort to reduce losses and ultimately reduce the cost of workers' compensation insurance to the depressed logging industry, a concentrated loss control program was instituted by the State Insurance Fund and the Montana Logging Association for its members. The Fund also presented a loss control program to the Department of Institutions to control their workers' compensation insurance costs.

A system was devised to structure undisputed liability disability awards on a monthly payment basis. This form of annuity payment eliminates the possibility that compensation awards will not be properly utilized to the best interest of the injured worker if payment should be made in a lump sum.

Insurance Compliance Program

Personnel in this program processed over 16,000 new accidents reported to insurance carriers and self-insurers, and reviewed and monitored the payment of benefits to injured workers resulting from the submission of 3,000 new claims.

Informational conferences with insurers' claims personnel were held in three Montana cities in the spring. In addition, staff was made available to assist injured workers, claims managers, employers and others expressing an interest in the workers' compensation system.

Safety and Health Program

The bureau has undertaken a program to actively improve the safety records of employers who are experiencing excessive industrial injuries. Special safety and first aid programs were tailored for State institutions in an all out effort to control work related injuries. Personnel changes and job realignments have vastly improved the production of safety representatives.

Activities under this program included 1,324 safety and health inspections, consultations, and accident investigations; 218 training courses in first aid, safety, cardiopulmonary resuscitation, and defensive driving; 840 boiler inspections and investigations; and 240 inspections and investigations in the mining industry.

COMPARATIVE SUMMARY OF PLANS I, II, AND III

The Montana Workers' Compensation and Occupational Disease Acts allow employers to obtain the required insurance coverage by one of three methods. These methods include: (1) self-insurance under Compensation Plan No. I, where firms with proven financial ability pay directly to the injured workers; (2) coverage with a private insurance company licensed to write workers' compensation insurance in Montana, known as Compensation Plan No. II; and (3) coverage with the State Compensation Insurance Fund, a state operated insurance program, known as Compensation Plan No. III.

The following table compares the overall activity of the three plans for three fiscal years:

	1978 - 1979	1979 - 1980	1980 - 1981
Plan I — Self-Insurance			
Number of employers enrolled	67	69	67
*Gross annual payroll	$379,758,128	$449,310,157	$465,163,177
Number of work injuries reported	3,530	4,061	4,236
Number of claims filed	939	1,003	868
Occupational disease cases reported per federal standards	12	29	19
Compensation benefits paid	$2,486,740	$3,278,817	$3,769,779
Medical & burial benefits paid	$1,262,853	$1,428,472	$1,662,131
Subsequent injury fund payments	$0	$2,000	$0
Uninsured employers assessments	$2,000	$5,000	$7,000
Plan II — Private Carriers			
Number of employers enrolled	9,604	9,472	9,507
*Annual premium	$27,456,947	$25,912,544	$26,392,869
Number of work injuries reported	14,918	13,300	12,369
Number of claims filed	2,332	2,006	2,181
Occupational disease cases reported per federal standards	84	92	25
Compensation benefits paid	$8,738,712	$10,137,449	$10,875,669
Medical & burial benefits paid	$3,758,113	$4,303,102	$4,783,380
Subsequent injury fund payments	$1,000	$0	$0
Uninsured employers assessments	$11,000	$21,000	$13,000
Plan III — State Fund			
Number of employers enrolled	20,189	20,838	22,389
Annual premium	$22,809,346	$26,453,202	$28,343,967
Number of work injuries reported	15,847	17,375	17,283
Number of claims filed	2,775	3,039	2,928
Occupational disease cases reported per federal standards	83	122	145
Compensation benefits paid	$12,073,818	$14,592,039	$16,354,209
Medical & burial benefits paid	$4,792,134	$6,355,624	$7,084,644
Subsequent injury fund payments	$1,000	$0	$0
Uninsured employers assessments	$19,000	$21,000	$16,000

*Figures shown on calendar year basis.

SECTION II
FINANCIAL REPORTS

Financial statements in this section show the activity and the condition of Division funds for the fiscal year ended June 30, 1981. The section includes five types of statements, i.e., a statement of appropriations, a balance sheet, a statement of changes in fund balance, a statement of receipts, and a program cost statement. These statements report the financial activity for each fund and accounting entity within the fund administered by the Division. However, because of the size of the State Compensation Insurance Fund, its financial activity is shown in Section III.

The state's accounting system provides nine funds, of which the Division uses five. The General Fund provides moneys to cover costs of the silicosis and social security offset benefit programs. The Earmarked Revenue Fund accounts for moneys generated by the Division, chiefly from assessments levied against insurers and used to defray the cost of operations. The Federal and Private Revenue Fund accounts for operational moneys received from the federal government. The Division has two sources of revenue in this area, one from an OSHA statistics grant with the Bureau of Labor Statistics, and the other from a coal mine safety grant with the U.S. Department of Labor, Mine Safety and Health Administration. The Federal and Private Grant Clearance Fund accounts for receipts until proper disposition is determined. The Agency Fund consists of those moneys deposited with the Division as custodian or agent. Included in this fund are the Volunteer Firemen, Subsequent Injury, Uninsured Employers', and Crime Victims' accounts.

The Statement of Appropriation Activity summarizes the funds appropriated for the fiscal year ended June 30, 1981, and the amounts expended or accrued from each appropriation.

STATEMENT OF APPROPRIATION ACTIVITY
FISCAL YEAR ENDED JUNE 30, 1981

Fund & Account	Amount Appropriated	Expended or Accrued		Balance
		Operation	Benefits	
General Fund	$ 945,973	$ 8,570	$823,120	$114,283
Earmarked Revenue Fund				
DWC Administration	3,867,644	3,777,761	0	89,883
Federal & Private Revenue Fund				
DWC Coal Mine Safety	42,125	24,988	0	17,137
OSHA Statistical Survey	52,315	42,916	0	9,399
DWC CETA Program	8,144	8,068	0	76
TOTALS	$4,916,201	$3,862,303	$823,120	$230,778

BALANCE SHEET — JUNE 30, 1981

		Earmarked Revenue Fund	Federal & Private Revenue Fund	
ASSETS	General Fund	Division Administration	Mine Safety	OSHA Statistics
Revolving Fund Cash	$ 1,000	$ 4,000	$ 0	$ 0
Cash in Treasury	0	102,136	842	2,164
Federal Cost Reimbursement Receivable	0	16,224	0	0
Accounts Receivable	0	0	0	0
Accounts Receivable — Dishonored Checks	0	4	0	0
Notes Receivable	0	0	0	0
Due from Federal Government	0	0	6,054	10,234
Inter-Entity Loans Receivable	0	18,000	0	0
Federal Securities — Book Value	0	0	0	0
Other Investments — Par Value	0	0	0	0
Unamortized Premiums	0	0	0	0
Interest Purchased	0	0	0	0
Short Term Investment Pool	0	0	0	0
STIP Interest Purchased	0	0	0	0
Property Held in Trust	0	0	0	0
Expense Advances to Employees	0	21,261	0	0
Other Prepayments	17,937	10,931	0	0
Encumbered Appropriations	3,124	0	0	0
TOTAL ASSETS	$22,061	$172,556	$6,896	$12,398
LIABILITIES				
Inter-Entity Loans Payable	$ 0	$ 0	$6,000	$12,000
Accrued Support Expenditures	4,124	350,438	1,623	1,683
Reserve for Due Froms	0	0	6,054	10,234
Reserve for Other Prepayments	17,937	0	0	0
Contingent Liabilities	0	0	0	0
Allowance for Contingent Liabilities	0	0	0	0
Unaccumulated Bond Discounts	0	0	0	0
Deferred Losses	0	0	0	0
Bonds Held in Trust	0	0	0	0
Receipts Collected in Advance	0	1,006	0	0
FUND BALANCE	0	(178,888)	(6,781)	(11,519)
TOTAL LIABILITIES AND FUND BALANCE	$22,061	$172,556	$6,896	$12,398

[1]In order to determine operating Fund Balance, Allowance for Contingent Liabilities (reserves) must be subtracted from this figure.

Agency Fund				
Insurance Liquidation	Volunteer Firemen	Subsequent Injury	Uninsured Employers	Crime Victims' Comp.
$ 0	$ 0	$ 0	$ 0	$ 0
0	59	1,460	4,940	37,257
0	0	0	0	0
0	0	0	129,626	0
0	0	0	0	0
0	0	0	7,093	0
0	0	0	0	0
0	0	0	0	0
0	350,000	150,000	0	200,000
0	2,080,000	2,081,000	0	0
0	2,405	0	0	0
0	824	2,654	0	0
0	67,394	72,039	91,850	278,346
0	68	183	222	444
10,210,000	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
$10,210,000	$2,500,750	$2,307,336	$233,731	$516,047
$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	6,412
0	0	0	0	0
0	0	0	0	0
0	0	56,500	277,643	89,043
0	0	(56,500)	(277,643)	(89,043)
0	19,266	120,389	0	235
0	0	(114,964)	0	0
10,210,000	0	0	0	0
0	0	0	0	0
0	2,481,484	2,301,911[1]	233,731[1]	509,400[1]
$10,210,000	$2,500,750	$2,307,336	$233,731	$516,047

STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1981

The Division administers various restricted accounting entities within each fund. Generally, the names of the accounts specify the purpose for which the account is used.

This statement illustrates the year's receipt and disbursement activity upon the beginning fund balance for each of the accounting entities.

	General Fund	Earmarked Revenue Fund
		Division Administration
FUND BALANCE, JULY 1, 1980	$ 0	$ (119,814)
ADDITIONS		
Legislative Appropriations	$945,973	$ 0
Receipts:		
Licenses & Permits	0	27,113
Service Fees	0	1,058,519
Fines	0	0
Income Collections & Transfers	0	2,421,625
Investment Earnings	0	0
Fiduciary & Trust	0	0
Grants	0	44,834
TOTAL ADDITIONS AND FUND BALANCE	$945,973	$3,432,277
DEDUCTIONS		
Support Expenditures	$ 8,570	$3,777,761
Withdrawals	0	0
Benefits	823,120	0
Reversions	114,130*	0
TOTAL DEDUCTIONS	$945,820	$3,777,761
PRIOR YEAR ADJUSTMENTS		
Revenue	$ 0	$ 146,402
Expenditures	153	(20,194)
TOTAL ADJUSTMENTS	$ (153)	$ 166,596
FUND BALANCE, JUNE 30, 1981	$ 0	$ (178,888)

*Expenses pertaining to the fiscal year that were not accrued at year end may be paid from the reversions.

	Federal & Private Revenue Fund		Agency Fund			
Mine Safety	State Agency CETA-PSE Contract	OSHA Statistics	Volunteer Firemen	Subsequent Injury	Uninsured Employers	Crime Victims' Comp.
$ (3,135)	$ (33)	$ 4,930	$2,261,255	$2,128,222	$ 541,093	$460,126
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	545,348	319,654
0	0	0	0	0	0	0
0	0	0	197,393	189,086	13,385	50,635
0	0	0	275,408	0	219,877	544
21,326	8,101	26,467	0	0	0	0
$18,191	$8,068	$ 31,397	$2,734,056	$2,317,308	$1,319,703	$830,959
$24,988	$8,068	$ 42,916	$ 0	$ 0	$ 0	$ 0
0	0	0	251,642	15,397	947,324	321,559
0	0	0	0	0	0	0
0	0	0	0	0	0	0
$24,988	$8,068	$ 42,916	$ 251,642	$ 15,397	$ 947,324	$321,559
$ 0	$ 0	$ 0	$ 0	$ 0	$ (802)	$ 0
(16)	0	0	930	0	137,846	0
$ 16	$ 0	$ 0	$ (930)	$ 0	$ (138,648)	$ 0
$ (6,781)	$ 0	$(11,519)	$2,481,484	$2,301,911	$ 233,731	$509,400

This statement identifies, by source of revenue, the receipts collected during the fiscal years ended June 30, 1981, and June 30, 1980. All funds, except the General Fund, receive revenue collected by the Division from outside sources. Disbursements cannot be made until the Division collects and deposits these receipts in the proper fund within the Treasury System.

COMPARATIVE STATEMENT OF SOURCES OF REVENUE
FISCAL YEARS ENDED JUNE 30, 1981 AND JUNE 30, 1980

	1981		1980	
Licenses and Permits:				
Engineer Licenses		$ 27,113		$ 31,754
Service Fees:				
Plan I Assessments	$ 287,668		$ 250,219	
Plan II Assessments	636,338		732,905	
Crime Victims Assessments	50,536		41,209	
Uninsured Employers Assessments	229,140		84,991	
Total Assessments	$1,203,682		$1,109,324	
Less Transfers to:				
Workers' Compensation Judge	(143,686)		(138,940)	
Commissioner of Labor	(4,133)	1,055,863	(3,806)	966,578
Investment Earnings:				
Corporate Bonds	$ 90		$ 0	
U.S. Treasury Obligations	0		5,487	
Industrial Bonds	214,430		196,232	
Railroad Equipment Trusts	31,387		24,200	
Public Utility Securities	78,528		90,903	
Federal Agencies	78,803		56,041	
Annual Modified Income	594		(12,162)	
Short Term Investment Pool	46,384	450,216	23,593	384,294
Fines:				
Motor Vehicle	$ 196,991		$ 162,799	
Civil Penalties	668,294	865,285	531,515	694,314
Firemen's Relief Contributions:		275,408		243,419
Income Collections & Transfers:				
State Compensation Insurance Fund	$2,471,349		$2,318,666	
Less Transfers to:				
Workers' Compensation Judge	(41,476)		(16,822)	
Commissioner of Labor	(10,875)	2,418,998	(10,035)	2,291,809
Fatality Assessments		36,000		48,000
Recovery		133,585		118,539
Bad Debts Recovered		50,836		38,860
Other		5,283		127
Grants:				
Federal Department of Labor:				
On-Site Consultation	$ 44,834		$ 57,252	
Survey Program	26,467		51,319	
Mining Education	21,326		13,000	
CETA-PSE	8,101	100,728	3,697	125,268
TOTAL REVENUES		$5,419,315		$4,942,962

This statement provides the detail expenditure activity and the funding sources for each of the Division's four programs for the period ended June 30, 1981.

PROGRAM COST STATEMENT
FISCAL YEAR ENDED JUNE 30, 1981

COSTS	Administration Program	State Fund Program	Compliance Program	Safety & Health Program
Personal Services:				
Salaries	$ 873,903	$ 603,050	$ 246,536	$403,096
Employee Benefits	167,278	120,964	50,200	80,878
Sub-Total	$1,041,181	$ 724,014	$ 296,736	$483,974
Operating Expenses:				
Contracted Services	$ 147,250	$ 300,492	$ 32,158	$ 18,503
Supplies & Materials	17,913	59,508	8,717	23,310
Communications	28,883	72,633	23,663	11,815
Travel	94,273	34,107	1,722	110,402
Rent	44,440	45,533	21,105	31,491
Utilities	3,864	3,640	2,762	652
Repair & Maintenance	16,007	8,352	3,864	4,413
Other Expenses	6,871	8,187	459	1,793
Sub-Total	$ 359,501	$ 532,452	$ 94,450	$202,379
Equipment	$ 21,774	$ 61,574	$ 11,318	$ 32,950
Benefits	$ 100,146	$ 0	$ 722,974	$ 0
TOTAL PROGRAM COSTS	$1,522,602	$1,318,040	$1,125,478	$719,303
SUMMARY OF FUNDING				
General Fund	$ 100,146	$ 0	$ 731,544	$ 0
Earmarked Revenue Fund	1,371,472	1,318,040	393,934	694,315
Federal & Private Revenue Fund	50,984	0	0	24,988
TOTAL FUNDING	$1,522,602	$1,318,040	$1,125,478	$719,303

SECTION III
STATE COMPENSATION INSURANCE FUND

Investment income in fiscal year 1981 grew by $271,647 to over $5 million. The Fund's bond portfolio yielded 9.32 percent compared to 8.99 percent for fiscal year 1980.

Substantial growth in claims expense was also experienced. Claims expense rose from $20.9 million last year to $23.4 million in fiscal year 1981, an increase of 11.9 percent, while operational expenses increased by 5 percent, from $2,417,362 to $2,539,570. Claims processed and accidents reported to the State Fund decreased by 1 percent.

As in past years, the Division employed an independent actuary to review the financial and actuarial soundness of the State Compensation Insurance Fund. The report may be found on page 18 of this section. The actuary was also employed to review payroll and accident experience, recommend rate changes, and advise the Division on claim reserving policies.

STATE COMPENSATION INSURANCE FUND
BALANCE SHEET
June 30, 1981

ASSETS

Cash in Treasury			$ 642,321
Premium Due and Billed			394,578
Unbilled Premium Receivable			6,849,008
Notes Receivable			81,498
Deferred Costs on Bond Exchanges			2,811,932
Adjusted Accounts Receivable			139
Property Held in Trust			2,122,656
Investments:			
Mortgages	$ 325,538		
Federal Securities	5,801,000		
Corporate Bonds	55,963,939		
Securities on Loan	670,000		
Gross Investments		$62,760,477	
Plus: Unamortized Premiums	$ 40,120		
Interest Purchased	81,111	121,231	
Less: Unaccumulated Bond Discounts		(3,336,258)	
Net Investments			59,545,450
TOTAL ASSETS			$72,447,582

LIABILITIES, RESERVES AND FUND BALANCE

LIABILITIES		
Dividends Payable Prior Year	$ 40,203	
Dividends Payable Current Year	752,748	
Adjusted Accounts Payable	132,625	
Advance Deposits	5,893,131	
Advance Premium Collections	1,204,635	
Deferred Revenue on Bond Exchanges	42,430	
Accountability for Stale Dated Warrants	8,503	$ 8,074,275
CLAIM RESERVES		
Compensation Benefits	$49,580,350	
Medical Benefits	7,981,198	
Medical Only Benefits	572,000	58,133,548
FUND BALANCE		
Restricted:		
Provision for Claim Fluctuation	$ 1,272,575	
Provision for Medical and Hospital Cost Fluctuation	600,000	
Provision for Rate Stabilization	407,393	
Provision for Catastrophe	2,400,000	
Provision for Changes in Security Valuation	1,559,791	6,239,759
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		$72,447,582

STATE COMPENSATION INSURANCE FUND
STATEMENT OF OPERATIONS AND CHANGES IN RESERVES
FOR FISCAL YEAR ENDED JUNE 30, 1981

INCOME

Premium		$28,343,967
Current Year Unbilled Premium	$ 6,849,008	
Less: Prior Year Unbilled Premium Received in Current Year	(6,556,754)	292,254
Total Earned Premium		$28,636,221
Interest Earnings on Investments		5,237,962
Other Income		105,260
Total Current Year's Income		$33,979,443
Prior Year's Adjustments, Net		77,623
Total Income		$34,057,066

EXPENSES

Claims Expenses:		
Compensation Benefits	$16,354,209	
Medical Benefits	7,084,644	
Total Claims Expenses	$23,438,853	
Other Expenses:		
Administrative Assessment	$ 2,471,349	
Bad Debts	68,221	
Rehabilitation Assessment	144,833	
Structured Settlements — Interest	13,155	
Total Other Expenses	$ 2,697,558	
Total Expenses		$26,136,411
RESULTS OF OPERATIONS BEFORE CHANGES IN RESERVES		7,920,655
Less: Changes in Claim Reserves:		
Compensation Benefits	$10,668,004	
Medical Benefits	213,630	
Medical Only Benefits	(365,000)	10,516,634
RESULTS OF OPERATIONS AFTER CHANGES IN RESERVES		$ (2,595,979)
Changes to Fund Balance:		
Deductions:		
Provisions for Changes in Claim Fluctuation	$ 1,219,914	
Provisions for Changes in Rate Stabilization	390,438	
Provisions for Changes in Security Valuation	585,627	
Provisions for Catastrophe	400,000	
Unallocated Premium Due to Change in Accounting Methods	752,748	
Total Deductions		$ 3,348,727
AVAILABLE FOR FISCAL YEAR 1981 DIVIDENDS		$ 752,748

STATE COMPENSATION INSURANCE FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 1981

Fund Balance, Beginning of Year (as restated)	$ 9,588,486
Decreases in Fund Balance:	
Current Year's Results of Operations	(2,595,979)
Fund Balance Before Dividends Payable	$ 6,992,507
Dividends Payable for Fiscal Year 1981	752,748
Fund Balance, End of Year	$ 6,239,759

The preceding statements reflect the financial activity and condition of the State Fund for the fiscal year ended June 30, 1981.

The balance sheet shows the financial status of the fund as of June 30, 1981. The changes in claim reserves and fund balance accounts were either calculated or reviewed by an independent actuary. Based on the actuary's recommendation, the previously used reserve accounts for "unreported claims," "reopened claims," and "claims expense" are not shown on the balance sheet as separate items, but are included in the other "claim reserve" accounts shown on the balance sheet.

The statement of operations and changes in reserves shows the fund's financial activity during the year.

COATES, HERFURTH & ENGLAND, INC.
ACTUARIES AND CONSULTANTS
320 CALIFORNIA STREET, SUITE 501
SAN FRANCISCO 94104
TELEPHONE (415) 433-4440

December 7, 1981

Workers' Compensation Division
Department of Labor and Industry
State of Montana
815 Front Street
Helena, Montana 59601

Gentlemen:

We have examined the methods and procedures utilized by the Workers' Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year June 30, 1981, under Compensation Plan #3, as set forth in the Workers' Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Compensation benefits	$49,580,350
Medical benefits	7,981,198
Medical only benefits	572,000
Total	$58,133,548

In addition to the above amounts for claim liabilities and reserves, the Fund is maintaining a claim fluctuation reserve of $1,272,575 and a Rate Stabilization reserve of $407,393, together with combined reserves for catastrophe and medical cost fluctuations of $3,000,000. A security valuation reserve of $1,559,791 is also maintained.

In our opinion, the above claim liabilities are based upon the benefits provided under the Workers' Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our assumption that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date, and that the Fund is in a sound actuarial and financial position.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion, the Fund can continue to be maintained on a sound actuarial and financial basis.

Sincerely yours,

Joseph T. Flynn

JTF:ms

SECTION IV
UNINSURED EMPLOYERS' FUND

In 1977, Montana Legislature enacted the provisions of the Uninsured Employers' Fund. The purpose of this Fund is to pay an injured worker the same benefits the employee would have received had the employer been properly enrolled with a workers' compensation insurer. The same Act provided that the primary revenue source for funding the Fund would be generated through fines and penalties assessed on uninsured employers in an amount of either double the premium the employer would have paid had he been properly enrolled with the State Compensation Insurance Fund or a minimum of $200, whichever would be greater. The Act allows the Division to go back to July 1, 1977, in making a determination of the amount of fine and penalty due. The Act also provides that an uninsured employer is liable for all wage loss and medical benefits paid for the injured employee. However, it limits the employer's liability to $30,000 per individual.

The benefit provisions of the Act are the same as those applied by the Workers' Compensation Act. The Division has authority to collect the amounts due through suit if necessary and, also, to compromise amounts due. In cases where the Division discovers an uninsured employer, the statute provides that it may order the employer to cease operations until the firm is properly covered by workers' compensation insurance. The employer who does not comply with this provision is guilty of a misdemeanor.

An injured employee has the option to elect to receive benefits from the Uninsured Employers' Fund or to pursue a damage action against the employer. Benefits paid from the Fund are not granted as an entitlement to injured workers and may be paid only in accordance with sums accumulated in the Fund. If the Division determines, at any time, that sums in the Fund are not adequate to fully pay all claims, the Division may take appropriate measures to proportionately reduce benefits to all claimants. In January of 1981, the Division declared the Fund insolvent, thereby eliminating benefits. As of this writing, the Fund is still insolvent.

STATISTICAL ACTIVITY

	F/Y 1980	F/Y 1981
Number of Compensation Claims Paid	116	34
Number of Investigations Made	730	684
Number of Audits Performed	384	327
Number of Employers Fined	432	446
Number of Accounts Referred for Collection	142	185
Amount of Billed Fines & Assessments Collected	$147,367	$219,968

FINANCIAL ACTIVITY

	F/Y 1980		F/Y 1981	
	Amount	Percent	Amount	Percent
Revenue Sources:				
Fines & Penalties Billed	$425,326	66.4%	$545,348	70.1%
Recovery of Benefits Paid	116,225	18.1	133,382	17.1
Fatality Assessments	46,000	7.2	36,000	4.6
Bad Debts Recovered	38,790	6.0	50,496	6.5
Interest Earnings	14,553	2.3	13,384	1.7
TOTAL REVENUE	$640,894	100.0%	$778,610	100.0%
Program Costs:				
Benefits Paid	$117,313		$155,633	
Amount Referred for Collection	241,213		562,551	
Administrative Expense	84,991		229,140	
TOTAL COSTS	$443,517		$947,324	

SECTION V
CRIME VICTIMS' COMPENSATION

The Crime Victims' Compensation Act created by the Montana Legislature became effective January 1, 1978. It was the intent of this legislation to provide a method of compensation and assisting innocent victims who suffered bodily injury or death as a result of a criminal act. The Act creates a fund which receives 18% of the fines assessed by the Montana Highway Patrol on all offenses involving a violation of the Montana traffic codes relating to the use or operation of motor vehicles.

Compensation benefits are awarded both for wage loss and medical services. The weekly wage loss benefit awarded is set at two-thirds of the wages received at the time of the occurrence subject to a maximum of $125 per week. The claimant must suffer a wage loss for one week before compensation is due, and then compensation is paid from the date wage loss began. Medical providers are reimbursed for reasonable services of a physician or surgeon, hospital care, and medicine. Additionally, funeral and burial expenses of the victim, not exceeding $1,100, are paid if all other collateral sources have not covered these costs. Awards are limited by collateral sources, which include, but are not limited to, benefits readily available to the victim from the offender, the United States government, social security, medicare or medicaid, workers' compensation, wage continuation programs, or proceeds of an insurance contract.

To be eligible for benefits the victim must file a claim within one year from the date of the criminally injurious conduct, may not be an offender or accomplice of the offender, and must notify law enforcement of the occurrence within 72 hours. The victim must also cooperate fully with all law enforcement agencies and prosecuting attorneys in the apprehension and prosecution of the offender. Benefits may be denied or proportionately reduced if the victim contributed to the infliction of the injury. Compensation payable to the victim and all of the victim's dependents in case of death is limited to an aggregate of $25,000. Awards of compensation benefits may also be made to victims who were employable but not employed at the time of the incident. Wage loss benefits in these cases are limited to $100 per week or an aggregate of $20,000.

STATISTICAL ACTIVITY

	F/Y 1980	F/Y 1981
Claim Information		
Number of Claims Received	165	179
Source of Knowledge:		
Attorney	9	10
Government Agency	0	4
Law Enforcement	49	27
Medical Profession	19	40
Relative or Friend	15	26
Victim	55	59
Other	18	13
	165	179
Claim Disposition:		
Denied Claims	18	36
Accepted Claims		
Open Files	85	56
Closed Files	62	87
	147	143

Type of Crime	F/Y 1980	F/Y 1981
Aggravated Assault	50	65
Armed Robbery	2	0
Assault	32	54
Attempted Homicide	2	4
Auto Theft	2	0
Breaking & Entering	5	0
Burglary	2	1
Child Abuse	1	0
Escape	1	0
Homicide	18	22
Kidnap	3	1
Negligent Assault	1	0
Prostitution	2	0
Rape	10	13
Riot	4	0
Sexual Assault	2	2
Strong Armed Robbery	7	12
Theft	2	0
Traffic	0	5
Unlawful Restraint	1	0
TOTAL TYPE	147	179
Victim Profile		
Sex:		
Male	97	114
Female	50	65
	147	179
Average Age:		
Male	28.5	30.5
Female	32.0	31.9
Age Range:		
Male	3-69	1-83
Female	13-86	6-83
Employment Status:		
Employed	82	99
Unemployed	40	48
Student	15	19
Retired	7	11
Child	3	2
	147	179

Location of Crime:	F/Y 1980*	F/Y 1981
Bar/Bar Lot		30
(Innocent Bystander)		6
Field/Countryside		12
Highway		6
Offender's Home		5
Offender's Workplace		2
Other's Home		12
Public Business		3
School		3
Street/Alley/Lot		46
Victim's Home		42
Victim's Workplace		8
Other		4
		179

*Statistics were not recorded in F/Y 1980.

FINANCIAL ACTIVITY

	F/Y 1980		F/Y 1981	
	Amount	Percent	Amount	Percent
Revenue Sources:				
Justice of Peace Fines	$106,239	36%	$122,663	33%
County Motor Vehicle Fines	36,566	12	53,365	14
City Motor Vehicle Fines	126,233	43	143,627	39
Recoveries	2,334	1	203	0
Interest Earnings	22,339	8	50,635	14
Bad Debts Recovered	0	0	341	0
TOTAL REVENUE	$293,711	100%	$370,834	100%
Program Costs:				
Benefits Paid	$129,003	76%	$271,023	84%
Administrative Expense	41,209	24	50,536	16
TOTAL COSTS	$170,212	100%	$321,559	100%

SECTION VI
WORK INJURY REPORTS

The Division, through its Centralized Services Bureau, Data Processing and Statistical Unit, collects a variety of statistics concerning the nature and cause of industrial work injuries. Accident data is coded from reports submitted by employers and employees, using the standardized coding system adopted by the Bureau of Labor Statistics. The following tables and graphs present this information on an annual basis. As of September 25, 1981, 33,888 accidents have been reported to the Division as occurring during the fiscal year ended June 30, 1981. These tables show the number of reported accidents, the cause of accidents by major industry, type of disability, nature of injury, part of body affected, accident type, source of injury, age and sex. The first table shows the total injuries reported over the past ten years. The following pages give a detailed analysis of the totals for the current fiscal year. The last page in this section shows a summary of the data collected and compiled by the Statistical Unit as a cooperating state agency under a federal grant with the Bureau of Labor Statistics. Additional information from past years can be compiled as needed on a request basis, should employers have a need for such information.

A review of the tables presented in this section in relation to individual firms' accident experience can be of value in developing appropriate safety programs or improving existing programs. Currently, the Division participates with the U.S. Department of Labor in a safety consultation program. Division personnel perform on-site consultation inspections to assist employers in understanding the requirements of applicable safety laws, identifying health and safety hazards, and eliminating or controlling these hazards successfully. Upon request, safety personnel perform these inspections at no charge to the employer.

DEGREE INJURIES AFFECTED THE EMPLOYEE'S ABILITY TO RETURN TO THE NEXT SCHEDULED WORK SHIFT

With the implementation of the Division's Management Information System in 1976, a new coding format was instituted to better identify the effect an injury has on an employee's work attendance. Prior to fiscal year 1977, the accident was coded either as disabling, which meant the injured party was unable to return to the next scheduled work shift, or nondisabling, which meant that no work time was lost beyond the day of the accident. All accident information coded was from the initial report with no further adjustment effort.

The new reporting format allows the Division more flexibility in identifying lost time injuries. "Lost Time Injuries" refers to those cases where the employee had a medical cost associated with the accident and failed to report to the next scheduled work shift. "No Lost Time Injuries" refers to cases where there was a medical cost involved but the employee attended the next work shift. The minor injuries column refers to cases where a minimal medical cost was initially reported and the employee lost no work time, and therefore considered a minor injury under the OSHA standards. Cases where a firm determination could not be made as to medical cost or lost time were classified as "Unknown." The reader should be cautioned against attempts to make valid comparisons between the two reporting formats.

Year	Total Injuries	Disabling	Percent of Total	Nondisabling	Percent of Total	Undetermined	Percent of Total
1971-72	22,439	6,180	27.5	15,005	66.9	1,254	5.6
1972-73	23,821	6,927	29.1	15,938	66.9	956	4.0
1973-74	27,097	8,394	31.0	17,733	65.4	970	3.6
1974-75	27,120	7,875	29.0	18,312	67.5	933	3.5
1975-76	29,415	8,589	29.2	19,591	66.6	1,235	4.2

Year	Total Injuries	Lost Time Injuries	No Lost Time Injuries	Minor Injuries Not Recordable by OSHA Standards	Fatalities	Unknown
1976-77	31,734	9,760	2,263	15,271	46	4,394
1977-78	32,060	9,668	2,172	16,965	50	3,205
1978-79	34,295	10,185	2,016	17,923	38	4,133
1979-80	34,736	10,206	2,297	18,258	37	3,838
1980-81	33,888	10,127	2,155	18,453	45	3,108

CAUSE OF FATALITIES WITHIN MAJOR INDUSTRY

The table below provides an overview of work related fatalities in Montana by compensation plan during fiscal year 1981. Montana industries reported 45 work related fatalities this year, compared with 37 last year.

INDUSTRY	PLAN I	PLAN II	PLAN III	TOTAL
AGRICULTURE				
Tractor Accident	0	1	0	1
Baler Accident	0	0	1	1
MINING				
Collapse of Oil Drilling Rig	1	1	0	2
Vehicle/Train Collision	0	1	0	1
Vehicle Accident	0	0	1	1
Caught Between Truck & Manhauler	0	0	1	1
Asphyxiation	0	0	1	1
CONSTRUCTION				
Struck by Falling Pipes	0	1	0	1
Tanker Explosion	0	0	1	1
Run Over by Earth Mover	0	0	1	1
MANUFACTURING				
Struck by Falling Timber	1	0	0	1
Struck by Log	1	0	0	1
Electrocution	1	0	0	1
Loader Roll Over	0	1	0	1
Caught in Winder	1	0	0	1
Rolled Dump Truck	1	0	0	1
TRANSPORTATION				
Electrocution	1	0	0	1
Burned in Truck Accident	1	0	0	1
Tanker Explosion	0	1	0	1
Asphyxiation	0	1	0	1
Helicopter Crash	0	0	1	1
WHOLESALE TRADE				
Vehicle Accident	0	0	11	11
Heart Attack	0	0	1	1
RETAIL TRADE				
Boating Accident	0	0	1	1
Gun Shot	0	0	1	1
Auto Accident	0	0	1	1
SERVICES				
Helicopter Crash	0	1	0	1
Struck by Falling Bin	0	1	0	1
Smoke Inhalation	0	1	0	1
Vehicle Accident	0	0	1	1
PUBLIC ADMINISTRATION				
Heart Attack	0	0	1	1
Loader Overturned	0	0	1	1
Auto Accident	0	0	1	1
Struck by Car	0	0	1	1
TOTALS	8	10	27	45

NATURE AND OCCURRENCE OF WORK INJURIES IN MONTANA

The following narratives and tables reflect data on the nature and occurrence of work injuries as reported to and compiled by the Division. The Division classifies and codes reported accidents in accordance with uniform federal guidelines. As of September 25, 1981, employers and insurance companies reported a total of 33,888 industrial accidents occurring in the fiscal year ended June 30, 1981.

Nature of Injury

The nature of injury identifies the injury in terms of its principal physical characteristics.

Description	Number	Percent
Burns	1,633	4.8
Open wounds	10,981	32.4
Strains	11,514	34.0
Fractures	2,346	6.9
Diseases	189	.6
Bruises	4,929	14.5
Multiple	396	1.2
Other	412	1.2
Not classified	1,488	4.4
TOTAL	33,888	100.0

Part of Body

The part of body identifies the part of the injured person's body directly affected by injury.

Description	Number	Percent
Head, face and neck	1,918	5.7
Eyes	4,011	11.8
Body systems	451	1.3
Trunk	3,034	9.0
Back and spine	6,759	19.9
Arms and wrists	2,739	8.1
Hands and fingers	7,790	23.0
Upper extremities	212	.6
Legs and ankles	4,065	12.0
Feet and toes	1,672	4.9
Lower extremities	53	.2
Body multiple	867	2.6
Not classified	317	.9
TOTAL	33,888	100.0

Accident Type

The accident type identifies the event which directly resulted in the injury.

Description	Number	Percent
Struck by object	12,848	37.9
Caught in, on, or between	1,916	5.7
Slips and falls	3,963	11.7
Motor vehicle	586	1.7
Strain or overexertion	8,043	23.7
Temperature extremes	837	2.5
Electrical current	109	.3
Inhalation	1,087	3.2
Rubbed or abraded	2,926	8.6
Combinations	327	1.0
Not classified	1,246	3.7
TOTAL	33,888	100.0

Source of Injury

The source of injury identifies the object, substance, exposure, or bodily motion which directly produced or inflicted the injury.

Description	Number	Percent
Animals	1,722	5.1
Atmosphere	89	.3
Body motion	2,395	7.1
Boilers	148	.4
Boxes and barrels	2,595	7.7
Buildings	801	2.4
Chemicals	1,052	3.1
Conveyors	201	.6
Dirt masses	349	1.0
Electrical apparatus	365	1.1
Flame and smoke	360	1.1
Food	347	1.0
Furniture	823	2.4
Glass	536	1.6
Hand tools	3,812	11.2
Hoisting apparatus	564	1.7
Ladders	103	.3
Machines	1,082	3.2
Mechanical transmission	397	1.2
Metal items	4,739	14.0
Particles	1,295	3.8
Textile	278	.8
Vehicles	2,564	7.5
Wood items	2,240	6.6
Working surfaces	3,367	9.9
Miscellaneous	314	.9
Not classified	1,350	4.0
TOTAL	33,888	100.0

Industry Group

These are the standard industrial classifications and provide an overview of experience by industry.

Description	Number	Percent
Agriculture	2,130	6.3
Mining	2,264	6.7
Construction	4,806	14.2
Manufacturing	6,661	19.6
Transportation	1,866	5.5
Wholesale trade	2,633	7.8
Retail trade	4,857	14.3
Finance	268	.8
Services	6,377	18.8
Public administration	1,873	5.5
Not classified	153	.5
TOTAL	33,888	100.0

Work Injuries by Age and Sex

This table compares the work injuries for fiscal year 1981 by age group and sex. The median age of injured male workers was in the 25-29 years age group, as compared to the 30-34 years age group for females.

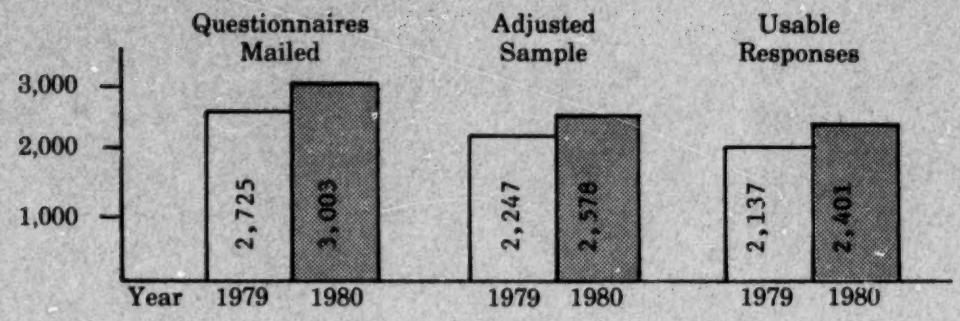
Age Group	Male	Female	Both
Below 15	20	8	28
15 - 19	2,301	651	2,952
20 - 24	5,892	1,346	7,238
25 - 29	5,256	1,149	6,405
30 - 34	3,652	830	4,482
35 - 39	2,340	671	3,011
40 - 44	1,783	518	2,301
45 - 49	1,406	473	1,879
50 - 54	1,173	443	1,616
55 - 59	977	413	1,390
60 - 64	596	226	822
65 - 69	119	65	184
70 - 74	56	18	74
Over 75	22	6	28
Not classified	1,279	199	1,478
TOTAL	26,872	7,016	33,888

OCCUPATIONAL SAFETY AND HEALTH ACT SURVEY

The annual Occupational Safety and Health Survey is conducted by the Statistics Section of the Division in cooperation with the Bureau of Labor Statistics of the U.S. Department of Labor. Reported data are based on employer maintained records. The results of the survey are used in measuring and evaluating the effectiveness of the Occupational Safety and Health Act in reducing work-related injuries and illnesses. Survey results are also used as a tool to direct education and inspection activity to industries which have the greatest need for safety improvement programs.

The survey, conducted on a calendar year basis, includes employers of all private industries except self-employed individuals and agricultural firms employing ten or less employees. Federal, state and local government is not included. The data for certain mining activities, railroads, and federal reserve banks was supplied directly by the Bureau of Labor Statistics.

Questionnaires were mailed to 3,003 employers for the 1980 survey and approximately 600 questionnaires are found to be unusable. The overall usable response rate for 1980 was 93.8 percent. The response rate for 1979 was 95.1 percent. The table below compares other mailing statistics with those of 1979.



1979 AND 1980 INJURY AND ILLNESS INCIDENCE RATES

Industry	Total Cases		Lost Workday Cases		Lost Workdays		No Lost Workday Cases	
	1979	1980	1979	1980	1979	1980	1979	1980
All Industries*	10.1	8.2	4.0	3.6	63.5	61.7	6.1	4.6
Agriculture, Forestry and Fishing**	11.8	15.3	4.7	6.0	97.3	151.6	7.1	9.2
Mining	10.8	13.0	5.5	7.0	111.9	127.9	5.3	6.0
Construction	17.6	16.8	6.1	7.0	115.8	161.1	11.3	9.7
Manufacturing	21.8	17.1	10.0	9.1	173.7	147.4	11.8	7.8
Transportation, Communications, Electric, Gas & Sanitary Services	9.6	7.7	5.1	4.4	62.2	59.7	4.5	3.3
Wholesale and Retail Trade	7.9	6.7	2.2	2.0	33.7	34.2	5.7	4.6
Wholesale Trade	10.4	8.3	3.7	2.3	66.0	33.2	6.7	6.1
Retail Trade	7.0	6.0	1.6	1.9	21.2	34.6	5.4	4.0
Finance, Insurance, and Real Estate	1.7	0.7	0.5	0.3	7.4	3.4	1.3	0.5
Services	5.8	4.7	2.1	1.9	27.9	26.8	3.8	2.8

*Private sector
**Does not include agriculture with ten or less employees

Incidence rates were calculated as follows: N/EH X 200,000
N = number of injuries and illnesses or lost workdays
EH = total hours worked by all employees during the calendar year
200,000 = base for 100 full-time equivalent workers (50 weeks X 40 hours)

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